

MINUTES OF THE MEETING
OF THE BOARD OF DIRECTORS OF
THE DEPARTMENT OF WATERWORKS

DATE: June 3, 2004

CALLED TO ORDER: 5:40 p.m.

MEETING ADJOURNED: 6:41 p.m.

ATTENDANCE

PRESENT MEMBERS

Beulah Coughenour, Chairperson
Barbara Howard, Vice Chair
S. Michael Hudson, Secretary-Treasurer
Carmen Hansen Rivera
Samuel Odle

AGENDA

1. Approval of the Minutes of the Meeting of April 22, 2004-Beulah Coughenour, Chairperson
2. Financial Report- Robert Erney, Financial Manager
3. Report of Veolia Water Indianapolis LLC-David Gadis, Vice President of Operations
4. Report of Director of Contracts and Operations-Carlton E. Curry, Director of Contracts and Operations
5. Resolution No. 21, 2004-Approval of an Appropriation of Additional Character 4 Funds of the 2004 Budget-Robert Erney, Financial Manager
6. Resolution No. 22, 2004- Approval of Capital Projects-Carlton E. Curry, Director of Contracts and Operations
7. Resolution No. 23, 2004- Approval of Geist Reservoir Dredging Agreement-Carlton E. Curry, Director of Contracts and Operations
8. Resolution No. 24, 2004- Authorization to Amend Capital Project Authorizations-Carlton E. Curry, Director of Contracts and Operations
9. Other Business

a. Other Board Business

b. Public Comment

(1) Fireworks at Geist Reservoir-Brian Hall, President, Geist Lake Coalition

(2) Other Public Comment

MINUTES OF THE MEETING
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The meeting of the Board of Directors (the "Board") of the Department of Waterworks (the "Department") met on Thursday, June 3, 2004. Chairwoman Beulah Coughenour called the meeting to order at 5:40 p.m. with the following members present: Carmen Hansen Rivera, Barbara Howard, S. Michael Hudson, and Samuel Odle.

Approval of the Minutes of the Meeting of April 22, 2004 - Beulah Coughenour, Chairperson

Chairwoman Coughenour asked for a motion to approve the April 22, 2004 minutes.

Mr. Odle moved, seconded by Ms. Hansen Rivera to approve the April 22, 2004 Board minutes. The motion carried by a vote of 4 to 0.

Financial Report - Robert Erney, Financial Manager

Robert Erney, financial manager of the Department presented a report to the Board, which is attached as Exhibit A. He said that the cash received for the month of April 2004 was \$8.3 million. The receipts from the sale of water for April 2004, is \$7.9 million. The disbursements for the month were \$11.4 million and net cash flow was negative \$3 million for the month. Also highlighted were two new information sheets to be used on a going forward basis in relation to the 2004A bond issue.

Report of Veolia Water Indianapolis LLC - David Gadis, Vice President of Operations

David Gadis, vice president of Operation for Veolia Water Indianapolis (VWI), read from a copy of Veolia's April Operating Report, which is attached as Exhibit B. He said that spring weather patterns in April resulted in seasonal flow patterns in the river supplies. VWI completed reviews of reservoir taste and odor compounds in April. Water pumpage volumes for April were slightly more than those in 2003. The Call Center performance in April was affected by collections. The answer rate for the month was 77.5% and the abandon rate was 2.0. Since January 1, 2004, the cumulative answer rate is 78.5% and the abandon rate is 4.4%. Through May 31, 2004, the monthly answer rate was 76.6% and the abandon rate was 4.0%.

Mr. Gadis clarified a statement was made in May 2004, pertaining to the capital bond program work and how much work would be performed by VWI employees. In response to a question asked at last month's board meeting, about what percentage of the bond work VWI will do, Mr. Chuck Voltz had said that it would be approximately 10%. After analyzing the proposed project estimates VWI determined that the bond work is separated into two categories, facility and network. Historically, facility work is contracted out for completion while VWI employees perform the network projects. Of the work VWI employees typically do, they will perform approximately 44% with 56% being contracted out for completion.

Mr. Gadis stated that on May 20, 2004, VWI treated Geist Reservoir for cyanobacteria that caused the Methyloborneol (MIB) and geosmin taste and odor compounds. The treatment was performed on the lower 1/3 of the reservoir near the dam. The treatment was successful in reducing the cyanobacteria population and the taste and odor compound levels decreased. Subsequent surveys of the chemistry of the reservoir were performed according to the application permit and showed an expected mild sag in the dissolved oxygen levels for five days after treatment. Water quality parameters returned to normal levels six days after treatment.

Mr. Gadis indicated that the Board may have heard about a fish kill on Geist Reservoir. VWI has been working with the Indiana Department of Environmental Management (IDEM) and the Indiana Department of Natural Resources (IDNR) to investigate this issue. VWI was notified by IDEM on Friday, May 28, 2004 about this issue and began field investigations on Saturday, May 29, 2004. At that time, VWI staff determined there were several hundred large 18 inch and larger carp throughout the reservoir that had died. Early Sunday, May 30, 2004, VWI staff spent four hours collecting dead fish from some of the most noticeable areas on Geist in an effort to help lessen resident's concerns on a busy holiday and boating weekend. Another boat survey of the reservoir was conducted on Tuesday, June 1, 2004 to further locate and count the dead fish. At that time, a total of 88 large carp were identified in the areas surveyed throughout the reservoir. No other species were found and all of the carp were greater than 18 inches. Dead carp were found in all areas of the reservoir, from near the dam at the downstream end, to east of Olio Road at the upstream end.

Mr. Gadis pointed out that after discussing observations with IDNR, it was suggested that the cause may be a virus that primarily affects large carp. VWI collected specimens and sent them to the Animal Disease Diagnostic Laboratory at Purdue University for further evaluation. Although not conclusive at this point, it appears that the reservoir treatment conducted on May 20, 2004, was not likely the core cause for the carp to die-off. The die-off is much more widespread than the treatment area (only 1/3 of the reservoir was treated) and the die-off is limited to large specimens of a single species not typically considered sensitive. VWI is extremely concerned about the environment and the affect on it and will continue to investigate and report their findings to the Board at a later time.

Chairwoman Coughenour asked if VWI will be completing 44% of the bond work. Mr. Gadis replied in the affirmative and added that Indianapolis Water (IW) Company employees will perform 44% of the network portion of the bond work.

Report of Director of Contracts and Operations
Carlton E. Curry, Director of Contracts and Operations

Carlton Curry, Director of Contracts and Operations for the Department, gave his Board Report, which is attached as Exhibit C. He indicated that the Indiana Utility Regulatory Commission (IURC) toured the Thomas W. Moses facility to observe current surface water treatment practices. The Service Advisory Board was unable to obtain a quorum on Tuesday, May 18, 2004. The members in attendance were given an update concerning the number of contacts necessary to accomplish the Regional Water Authority study. The Technical Advisory Group

discussed the various options for VWI to meet anticipated Environmental Protection Agency (EPA) rule makings. The 2004 incentive work is nearly complete for final definition.

Mr. Curry explained that negotiations with Carmel have been extended beyond the 45 day allowable time frame (May 20, 2004). After the exchange of proposed asset values between the parties, questions arose requiring more explanation. It was agreed that the data should be clarified. Time was allowed for this clarification and further discussion. If a satisfactory conclusion is not reached among the parties, according to the agreement, the matter becomes subject to review by the IURC. This action, if required, is supposed to take no more than 60 days. If appropriate, the next step would be arbitration. Hazen & Sawyer submitted their final invoice. They are asking for \$1,600 more or about \$800 from each from Carmel and IW. (Members of the Board offered no encouragement to honor this added expense request.)

Mr. Curry discussed the potential sale of Liberty Water. Mr. Curry noted that the parties met to discuss the specific terms for a sale. The attorneys will draft the final terms to be presented to appropriate bodies for their requisite approvals. It is contemplated that a credit will be negotiated that recognizes amounts of water purchased from Plainfield by IW, but billing amounts have not been settled.

The discussion for planning a potential trail requested near the Geist dam and treatment plant is on hold pending delivery of the five year capital plan. This capital plan is expected to better define the Department's needs regarding the treatment plant expansion. Then further coordination with the Department of Parks and Recreation is expected.

Mr. Curry indicated that The City of Noblesville's Department of Parks & Recreation would like to arrange for a greenway trail segment along the east side of Morse Reservoir and extending south to the property line next to Cicero Creek. This segment might be as long as two miles. Noblesville will define in reasonably detailed terms what amenities they would like to employ and show how they might be fit into the topography while being sensitive to IW security and for the safety of the public.

The Lawrence Utilities has approached IW to buy water and serve a part of the City of Lawrence service area. The initial request contemplated a maximum purchase of just over two million gallons per day for about 100 days (summer) in a year. Lawrence Utilities also requested over one million gallons per day for the remainder of each year. Lawrence Utilities was advised that IW could supply this quantity of water conditioned upon the same level of potential restrictions common to other interlocal agreements.

Mr. Curry pointed out that additional progress has been made on finding a home for the remaining antiquities. Marion County Library representatives visited to review the items stored at the general office. The Library is interested in having the annual reports and many of the old newspapers, photographs, scrapbooks, and hardback books. There will still be remaining antiquities. The Indiana Historical Society and the Library have been the only interested takers. The terms for a dredging contract extension with Irving Materials, Inc. (IMI) have been discussed and are ready for presentation to the Board for action. The terms are improved over the present contract.

Resolution No. 21, 2004 - Approval of an Appropriation of Additional Character 4 Funds of the
2004 Budget - Robert Erney, Financial Manager

Mr. Erney summarized the resolution. Mr. Erney explained that Resolution No. 21, 2004 provides for approval of an appropriation of Character 04 funds in the amount of \$6,197,753 of the 2004 budget for capital projects to be funded by the approved 2004A bond issuance.

Mr. Odle moved, seconded by Ms. Hansen Rivera, to approve Resolution No. 21, 2004. The motion carried by a vote of 4 to 0.

Resolution No. 22, 2004 - Approval of Capital Projects
Carlton E. Curry, Director of Contracts and Operations

Mr. Curry summarized the resolution. Mr. Curry stated that Resolution No. 22, 2004 provides for the approval of capital projects. This resolution provides for projects to be paid for through bond proceeds and some through Department cash.

Ms. Howard moved, seconded by Ms. Hansen Rivera, to approve Resolution No. 22, 2004. The motion carried by a vote of 4 to 0.

Resolution No. 23, 2004 - Approval of Geist Reservoir Dredging Agreement
Carlton E. Curry, Director of Contracts and Operations

Mr. Curry pointed out that Resolution No. 23, 2004 follows some discussions that were initiated several months ago. He said that IMI had an agreement with IW to dredge and remove materials from Geist Reservoir. There is a payment schedule and other conditions applied to the contract. IMI will pay an annual fee to the Department based on the average sale price of sand and gravel sold.

Mr. Odle asked how Mr. Curry can be certain that the Department will be receiving a competitive price. Mr. Curry replied he has reviewed to other selling prices and since the fee is tied to IMI's selling price, it will be competitive. Mr. Odle asked what the annual revenues will be. Mr. Erney replied that the Department received \$115,000 in 2003. Mr. Odle asked if dredging Geist Reservoir will help the water quality. Mr. Erney replied in the affirmative.

Ms. Howard asked who will carry the liability insurance. Mr. Curry replied that IMI will pay for insurance.

Mr. Odle moved, seconded by Ms. Howard, to approve Resolution No. 23, 2004. The motion carried by a vote of 4 to 0.

Resolution No. 24, 2004 - Authorization to Amend Capital Project Authorizations
Carlton E. Curry, Director of Contracts and Operations

Mr. Curry explained that Resolution No. 24, 2004, reclassifies certain capital projects, #DP4-002, #DP4-001, #2004-033, and #2004-099K. This will allow the Department to work with VWI to transfer responsibilities.

Mr. Odle moved, seconded by Ms. Hansen Rivera, to approve Resolution No. 24, 2004. The motion carried by a vote of 4 to 0.

Other Business

Fireworks at Geist Reservoir-Brian Hall, President, Geist Lake Coalition

City-County Councillor Virginia Cain stated that she has received many telephone calls regarding a fireworks display on the dam at Geist Reservoir. She is concerned that the Board has decided not to allow a fireworks display at Geist on the dam. She said that another alternative is to rent a barge, but the cost to do this is \$5,000 more than budgeted. This will affect approximately 5,000 citizens. She asked that the Board allow launching the fireworks display from the dam this year and the citizens will look for another alternative next year. Andrew Klineman, general counsel to the Board, replied that the Department did not cancel the fireworks. The Department requested that the location for launching the fireworks be moved a safe distance from the Geist dam. The Department staff determined that it would be very difficult for the Department to acquiesce in the placement of a known danger on top of the dam particularly on a holiday like July 4th, a holiday in which cities are often asked to take heightened security measures. Putting a known danger on top of the dam creates certain hazards, legal liabilities, and public risk to the Department. The Department staff is willing to work to continue to try and find an alternative location for the fireworks display.

Ms. Cain asked Mr. Klineman what specific dangers exist now that were not seen 15 years ago. Mr. Klineman replied that the world has changed since the terrorist attacks on September 11, 2001. He said that cities should be more diligent in their approaches to the protection of public works facilities and dams in particular because of the water supply. Ms. Cain asked Mr. Klineman what occurred during the two years since September 11, 2001. Mr. Klineman responded that the fireworks did continue after September 11, 2001. Mr. Curry added that he did not become aware until 2003 that the launch was from the dam top. He said that when he discovered this he began looking at the various security issues and over a period of time, it was determined that this use should not continue.

Ms. Cain pointed out that the company that provides the fireworks display is insured and they have provided this service for a long time. Mr. Curry replied that the dam must be secured and added that once he discovered that explosives were being hauled to the top of the dam, it was decided that this must be stopped. Ms. Cain asked if the Board would allocate \$5,000 toward the rental of a barge to display the fireworks. Mr. Erney replied that the bond restrictions and covenants will not allow the Department to do this.

Chairwoman Coughenour mentioned that there is no ill intent in the Board's decision to not allow the launching of fireworks on top of the dam. She said that since there are 5,000 citizens who watch the fireworks display that the homeowners association she suggested that perhaps

each of them give \$1 to pay for the barge. Ms. Cain replied that each citizen has already given \$1, but to rent the barge costs \$10,000 and that is why she is requesting that the Board pay the difference. -

Mr. Hudson asked if the Department has defined the requirements of having a barge on the reservoir. Mr. Curry replied that the barge must be approximately 800 feet away from the base of the dam for the caliber of shells contemplated for the fireworks display.

Glenn Pratt, citizen, commented that the Technical Advisory Group meeting discussed that IDEM or IDNR did not inform VWI until five days after the fish kill. He encouraged VWI and the Board to send a friendly letter to them both telling them that they need to contact VWI and the Board as soon as they discover that there is a problem. Mr. Klineman replied that he had already sent a similar letter on behalf of the Department and the Board to IDEM, IDNR, and the United States Army Corps of Engineers, prior to what happened at Geist Reservoir.

Mr. Klineman introduced the newest member of the Department staff, Sandy Morris. He said that he is no longer the newest member of the Waterworks staff; however, Ms. Morris outranks him in City-County government by many years. He believes that she has hit the ground running and that the Board members can already tell what a great job she is doing in making himself and rest of the rest of the staff look good. Chairwoman Coughenour said that she is glad to have Ms. Morris on board.

CONCLUSION

With no further business pending, the Board of Directors of The Department of Waterworks meeting adjourned at 6:41 p.m.

Beulah Coughenour, Chairwoman

Attest:

S. Michael Hudson,
Secretary-Treasurer